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**State:** District of Columbia **Filing Company:** Arch Insurance Company  
**TOI/Sub-TOI:** 17.1 Other Liability-Occ Only/17.1019 Professional Errors and Omissions Liability  
**Product Name:** Travel Agents and Tour Operators Professional Liability Program  
**Project Name/Number:** /ARCH-19-183-R

## Filing at a Glance

Company: Arch Insurance Company  
Product Name: Travel Agents and Tour Operators Professional Liability Program  
State: District of Columbia  
TOI: 17.1 Other Liability-Occ Only  
Sub-TOI: 17.1019 Professional Errors and Omissions Liability  
Filing Type: Rate/Rule  
Date Submitted: 12/11/2019  
SERFF Tr Num: AICO-132186157  
SERFF Status: Submitted to State  
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Co Tr Num: ARCH-19-183-R  
  
Effective Date: On Approval  
Requested (New):  
Effective Date: On Approval  
Requested (Renewal):  
Author(s): Kathleen Marie Campbell, Alex Ty, Traecy Palmario, Orland Panlaque, Kevin Patterson, Lea Tulio  
  
Reviewer(s):  
Disposition Date:  
Disposition Status:  
Effective Date (New):  
Effective Date (Renewal):

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<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Arch Insurance Company
<b>TOI/Sub-TOI:</b>	17.1 Other Liability-Occ Only/17.1019 Professional Errors and Omissions Liability		
<b>Product Name:</b>	Travel Agents and Tour Operators Professional Liability Program		
<b>Project Name/Number:</b>	/ARCH-19-183-R		

## General Information

Project Name:	Status of Filing in Domicile: Pending
Project Number: ARCH-19-183-R	Domicile Status Comments: This filing is pending Missouri.
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 12/11/2019	
State Status Changed:	Deemer Date:
Created By: Orland Panlaque	Submitted By: Orland Panlaque
Corresponding Filing Tracking Number: AICO-132186156	

### Filing Description:

Enclosed please find Arch Insurance Company's (Arch) Travel Agents and Tour Operators Professional Liability Program rate, rule filing. The filing contained herein constitutes a new program filing for Arch and does not replace any previously filed rate or rule. The corresponding form filing has been submitted separately as required. The program includes coverage for professional liability, general liability, personal and advertising injury, and hired and non-owned auto for travel agents, tour operators, meeting planners and corporate event planners. Coverage will be provided on an occurrence basis.

The Travel Agents and Tour Operators Professional Liability Program rates, rules, and forms filing is partially based upon a nationwide competitor where available. Therefore, the company has no loss or premium data to report and its estimated expense provisions reflect experience with other programs and industry-wide aggregates, as well as Arch's projected expense figures for this program. There are no current policyholders for this program for Arch.

## Company and Contact

### Filing Contact Information

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Suite 300	
Jersey City, NJ 07311	

### Filing Company Information

Arch Insurance Company	CoCode: 11150	State of Domicile: Missouri
Harborside 3	Group Code: 1279	Company Type: Property &
210 Hudson Street	Group Name: Arch Insurance	Casualty
Suite 300	Group	State ID Number:
Jersey City, NJ 07311	FEIN Number: 43-0990710	
(201) 743-4115 ext. [Phone]		

## Filing Fees

Fee Required?	No
Retaliatory?	No
Fee Explanation:	

<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Arch Insurance Company
<b>TOI/Sub-TOI:</b>	17.1 Other Liability-Occ Only/17.1019 Professional Errors and Omissions Liability		
<b>Product Name:</b>	Travel Agents and Tour Operators Professional Liability Program		
<b>Project Name/Number:</b>	/ARCH-19-183-R		

## Rate Information

Rate data applies to filing.

<b>Filing Method:</b>	File & Use
<b>Rate Change Type:</b>	Neutral
<b>Overall Percentage of Last Rate Revision:</b>	0.000%
<b>Effective Date of Last Rate Revision:</b>	
<b>Filing Method of Last Filing:</b>	
<b>SERFF Tracking Number of Last Filing:</b>	N/A

## Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Arch Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

State:	District of Columbia	Filing Company:	Arch Insurance Company
TOI/Sub-TOI:	17.1 Other Liability-Occ Only/17.1019 Professional Errors and Omissions Liability		
Product Name:	Travel Agents and Tour Operators Professional Liability Program		
Project Name/Number:	/ARCH-19-183-R		

## Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		TRAVEL AGENTS AND TOUR OPERATORS LIABILITY PROGRAM - MANUAL OF RULES AND RATES	Pages 1 through 13	New		TAPL Rate Pages - COUNTRYWIDE Final.pdf
2		DC State Exception Page	Page 1 through 1	New		DC State Exception Page.pdf

# ARCH INSURANCE COMPANY

## TRAVEL AGENTS AND TOUR OPERATORS LIABILITY PROGRAM

### Countrywide MANUAL OF RULES AND RATES

#### Section I – Travel Agents Program

##### A. Definitions

1. **Travel Agency** (or **travel agent**) means an agency that sells services, travel accommodations, arrangements, tours, etc. directly to the public. For the purposes of this rating plan, an entity is deemed a travel agency if more than 50% of its total gross receipts comes from services offered directly to the public.
2. **Independent Contractors** are booking agents outside a host travel agency or tour company with a maximum Total Gross Receipts of \$2,000,000 and maximum of 4 employees who sell or arrange travel through the host agency or company. Although they typically work from home, independent contractors may also work from their host agency's location either on a part-time or full-time basis.
3. **Total Gross Receipts** (TGR) means all receipts from agency operations.
4. For the purposes of this rating plan an applicant will not be considered a Travel Agency, and thus not eligible to be rated under this section of the rating plan, if 50% or more of the applicant's Total Gross Receipts is derived from the operation of tours and/or the provision of meeting services.

##### B. Basic annual premium:

1. For Independent Contractors, the basic annual premium for a limit of liability of \$100,000 is \$195 Please refer to step 3 for the limit factors and step 4 for the \$500 deductible factors. For other applicants, multiply the **total-gross-receipts** attributable to the agency by the appropriate rates in the table below:

TGR	Rate (per \$1,000 TGR)
First \$10,000	\$40.50
Next \$90,000	\$ 0.23
Next \$900,000	\$ 0.18
Next \$9,000,000	\$ 0.16
Next \$40,000,000	\$ 0.14
Next \$450,000,000	\$ 0.12
Additional	Refer to Company

**Example:** *The basic annual premium for an agency with total gross receipts of \$12,000,000 is  $(10 \times 40.50) + (90 \times 0.23) + (900 \times 0.18) + (9000 \times 0.16) + (2000 \times 0.14) = \$2,307.70$ .*

2. Multiply the result from Step 1 by the applicable **classification factor** below, based on the percentage of the applicant's total gross receipts derived from corporate travel:

% of Corporate Travel	Factor
< 50%	1.00
50% - 100%	0.80

3. Determine the **limit factor** applicable to the requested coverage from the table below:

Limit	Factor
\$100,000	1.000
\$300,000	1.343
\$500,000	1.511
\$1,000,000	1.745
\$2,000,000	1.989
\$3,000,000	2.136
\$4,000,000	2.242
\$5,000,000	2.325
Other	Refer to Company

4. Determine the **deductible factor** applicable to the requested coverage from the table below:

Deductible	Loss Only	Loss & Expense
\$500	0.000	0.021
\$1,000	0.019	0.059
\$2,500	0.063	0.147
\$5,000	0.115	0.252
\$10,000	0.183	0.388
\$25,000	0.294	0.609
\$50,000	0.388	0.797
\$100,000	0.489	1.000
\$250,000	0.631	1.284
\$500,000	0.745	1.511

5. Subtract the deductible factor from Step 4 from the limit factor from Step 3.
6. Multiply the result of Step 2 by the result of Step 5.
7. Apply the **schedule rating modifier** to the result of Step 6. Determine the schedule rating modifiers for the applicant based on the table below. The overall schedule modifier is calculated as the sum of the individual modifiers, subject to a 40% maximum credit or debit.

Category	Max Credit	Max Debit
Financial Strength	15%	15%
Quality of Management	15%	15%
Risk Management Procedure	15%	15%
Training	15%	15%
Certification	15%	15%

**Example:** *The applicant receives a 10% credit for financial strength, a 5% credit for quality of management, and a 5% debit for training. The total is a 10% credit (i.e., a schedule rating modifier of 0.90), subject to a 40% maximum credit.*

8. A **minimum-premium** of \$600 applies to applicants, other than Independent Contractors, rated under this section of the program. If the premium generated from Steps 1 through 7 is less than the minimum premium, the minimum premium will apply. This step does not apply to Independent Contractors.

### C. Additional Charges

1. Add any **additional charges** that apply from below to the result of Step 8:
  - a. Additional Insured or Contractual Liability
    - i. First five additional insureds – no charge
    - ii. Each additional insured after five - \$50 per additional insured
    - iii. Additional Insured - Common Trip Sponsors - \$250
    - iv. Additional Insured - Retail Agent - \$250
    - v. Incidental Contractual Liability – Blanket - \$150
  - b. Fire Legal Coverage
    - i. First \$50,000 – No Charge
    - ii. Next \$50,000 - \$50
    - iii. Higher limits – refer to company

- c. Travel Supplier Bankruptcy Buy Back – 3% of basic annual premium subject to a maximum charge of \$1,000
- d. Extended General Liability Endorsement - \$200
- e. Advertising Injury Coverage - \$100
- f. Primary and Noncontributory Provision - \$150 per request
- g. Waiver of Subrogation - \$200 per request
- h. Sale of Travel Insurance Policy Limits Coverage - 10% of basic annual premium subject to a maximum charge of \$2,000
- i. Misquotation or Misstatement of Price:

Deductible	Charge
\$500	\$250
\$1,000	\$200
\$2,500	\$150
\$5,000	\$100
\$10,000	\$75

- j. For Independent Contractors only - Additional Agents
  - a. First 2 booking agents – no charge
  - b. Additional booking agents after 2 - \$50 charge per booking agent (maximum 2 additional booking agents (4 total individuals))
- k. Employee Benefit Liability Coverage – premium charge for a \$1 million limit, \$1,000 deductible is based on the number of employees

Limit	1-10 employees	11-50 employees	51-200 employees	Over 200 employees
\$1,000,000	\$275	\$330	\$350	\$400

- 2. Insureds who have been insured under a claims-made policy may purchase **prior acts coverage** as indicated below (the amount indicated should be added to the result of Step C.1:
  - 1) Less than One Year – No Charge
  - 2) One year prior acts- 5% of total annual premium
  - 3) Two years prior acts – 10% of total annual premium
  - 4) Three or more years prior acts – 15% of total annual premium



Note: The prior acts endorsement should only be attached to the first year of the occurrence policy. It does not get added to subsequent renewal policies.

## Section II- Tour Operators

### A. Definitions

- a. **Tour Operator** means a company that designs and/or operates travel. The operator negotiates with the various suppliers (airlines, hotels, cruise lines). Tour Operators can sell directly to the public (retail) or through agents (wholesale).
- b. **Meeting Planner** (including **Corporate Event Planner**) means a company that provides for a fee meeting services that include an element of standard travel arrangements, such as transportation, accommodations and/or tours in addition to arranging for the meeting sites, meals and entertainment. For the purposes of this rating plan, an applicant will be considered a Meeting Planner if 50% or more of the applicant's Total Gross Receipts are derived from meeting planning services.
- c. For the purposes of this rating plan an applicant will be considered a Tour Operator if 50% or more of the applicant's Total Gross Receipts is derived from the operation of tours and/or the provision of meeting services.
- d. **Total Gross Receipts** (TGR) - means all receipts from the travel business.
- e. **Student Tour Operator** means a company that designs and operates travel for students including performance groups such as bands, choirs, dance teams, etc. The operator negotiates with the various suppliers (airlines, hotels, cruise lines). Tour operators can sell directly to the public (retail) or through agents (wholesale). For the purposes of this rating plan, an applicant will be considered a Student Tour Operator if 25% or more of the applicant's Total Gross Receipts are derived from student tour operations.
- f. **Adventure Tour Operator** means a company that designs and operates travel for adventure seeking individuals or groups primarily involved in bicycle/cycling, trekking, hiking, walking tours, eco tours, nature tours and safari tours. Tour operators can sell directly to the public (retail) or through agents (wholesale). For the purposes of this rating plan, an applicant will be considered an Adventure Tour Operator if 25% or more of the applicant's Total Gross Receipts are derived from adventure tour operations.

B. **Basic annual premium** for a limit of liability of \$100,000 is determined as follows:

1. Multiply the **total-gross-receipts** attributable to the tour operator by the appropriate rates in the table below:

TGR	Rate (per \$1,000 TGR)
First \$10,000	\$35.00
Next \$15,000	\$ 5.00
Next \$25,000	\$ 1.00
Next \$24,950,000	\$ 0.15
Next \$75,000,000	\$ 0.10
Next \$200,000,000	\$ 0.05
Additional	Refer to Company

**Example:** *The basic annual premium for an operator with total gross receipts of \$12,000,000 is  $(10 \times 35.00) + (15 \times 5.00) + (25 \times 1.00) + (11,950 \times 0.15) = \$2,242.50$ .*

2. Multiply the result from step 1 by the applicable **classification factor** below, based on the percentage of the applicant's total gross receipts:

Classification	Factor
Meeting Planner	0.80
Adventure Tour Operator	1.69
Student Tour Operator	2.47

3. Multiply the result from Step 2 above by the **location factor**, calculated as the weighted average of the factors below (applicable based on the locations of the tours operated by the applicant), using the percentage of the insured's business in each area as weights:

Location	Factor
United States and Canada	1.000
Caribbean Islands, Western Europe, Australia & New Zealand	1.100
Other	1.500

**Example:** The insured operates 50% of its tours in the United States and Canada, 25% in Western Europe, and 25% in Asia. The location factor is  $(50\% \times 1.000) + (25\% \times 1.100) + (25\% \times 1.50) = 1.15$ .

4. Determine the **limit factor** applicable to the requested coverage from the table below:

Limit	Factor
\$100,000	1.000
\$300,000	1.705
\$500,000	2.154
\$1,000,000	2.926
\$2,000,000	3.939
\$3,000,000	4.672
\$4,000,000	5.267
\$5,000,000	5.777
Other	Refer to Company

5. Determine the **deductible factor** applicable to the requested coverage from the table below:

Deductible	Loss Only	Loss & Expense
\$500	0.000	0.009
\$1,000	0.012	0.030
\$2,500	0.044	0.082
\$5,000	0.086	0.152
\$10,000	0.150	0.258
\$25,000	0.277	0.470
\$50,000	0.415	0.701
\$100,000	0.600	1.009
\$250,000	0.940	1.575
\$500,000	1.292	2.163

6. Subtract the deductible factor from Step 5 from the limit factor from Step 4.
7. Multiply the result of Step 3 by the result of Step 6.
8. Apply the **schedule rating modifier** to the result of Step 7. Determine the schedule rating modifiers for the applicant based on the table below. The overall schedule

modifier is calculated as the sum of the individual modifiers, subject to a 40% maximum credit or debit.

Category	Max Credit	Max Debit
Financial Strength	15%	15%
Quality of Management	15%	15%
Risk Management Procedure	15%	15%
Training	15%	15%
Certification	15%	15%

**Example:** *The applicant receives a 10% credit for financial strength, a 5% credit for quality of management, and a 5% debit for training. The total is a 10% credit (i.e., a schedule rating modifier of 0.90), subject to a 40% maximum credit.*

9. The **minimum premium** for this program is \$750, except for Student and Adventure Tour Operators for which the minimum premium is \$1500. If the result of Step 8 is less than the minimum premium, the minimum premium will apply.
10. Apply the **terrorism coverage factor** to the result of Step 9.

Terrorism Coverage: 5% of basic annual premium

### C. Additional Charges

1. Add any **additional charges** that apply from below:
  - a. Additional Insured or Contractual Liability
    - i. First five additional insureds – no charge
    - ii. Each additional insured after five - \$50 per additional insured
    - iii. Additional Insured – Automatic Status for Common Trip Sponsors - \$250
    - iv. Additional Insured – Retail Agent - \$250
    - v. Incident Contractual Liability – Blanket - \$150
  - b. Fire Legal Coverage
    - i. First \$50,000 – No Charge
    - ii. Next \$50,000 - \$50
    - iii. Higher limits – refer to company
  - c. Travel Supplier Bankruptcy Buy Back – 3% of basic annual premium subject to a maximum charge of \$1,000

- d. Extended General Liability Endorsement - \$200
- e. Advertising Injury Coverage - \$100
- f. Primary and Noncontributory Provision - \$150 per request
- g. Waiver of Subrogation - \$200 per request
- h. Aggregate Limit Endorsement – 3% of basic annual premium subject to a minimum charge of \$250 per request, not to exceed \$5,000
- i. Sale of Travel Insurance Policy Limits Coverage - 10% of basic annual premium subject to a maximum charge of \$2,000
- j. Equipment Exclusion Buy Back – 15% of basic annual premium subject to a minimum charge of \$750
- k. Employee Benefit Liability Coverage – premium charge for a \$1 million limit, \$1,000 deductible is based on the number of employees

Limit	1-10 employees	11-50 employees	51-200 employees	Over 200 employees
\$1,000,000	\$275	\$330	\$350	\$400

- l. Homestay Exposure –
  - i. Homestays with  $\leq 50$  number of participants – 15% of Basic Annual Premium
  - ii. Homestays with  $\geq 51$  number of participants – 25% of Basic Annual Premium
- m. Abusive Acts Coverage – This is an optional coverage for Student Tour Operators and Adventure Tour Operators that pays for injuries resulting from abusive acts. The premium charge is based on the total number of student participants multiplied by the Abusive Acts Factor below subject to a minimum charge of \$1,250 for a \$1,000,000 limit and \$1,750 for a \$2,000,000 limit:

Low Hazard accounts are Operators with day trips and/or overnight trips of 5 nights or less:

Limit	# of Participants	Deductible			
		\$2,500	\$5,000	\$10,000	\$25,000
\$1,000,000	1 -999	0.302	0.291	0.260	0.187
	1000 -4999	0.354	0.343	0.312	0.239
	= or >5,000	Refer to Company			
\$2,000,000	1 -999	0.354	0.343	0.312	0.239
	1000 -4999	0.406	0.395	0.364	0.291

= or >5,000	Refer to Company
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High Hazard accounts are Operators with overnight trips of 6 nights or more:

Limit	# of Participants	Deductible			
		\$2,500	\$5,000	\$10,000	\$25,000
\$1,000,000	1 -999	0.347	0.335	0.299	0.215
	1000 -4999	0.407	0.395	0.359	0.275
	= or >5,000	Refer to Company			
\$ 2,000,000	1 -999	0.407	0.395	0.359	0.275
	1000 -4999	0.466	0.454	0.419	0.335
	= or >5,000	Refer to Company			

2. Insureds who have been insured under a claims-made policy may purchase **prior acts coverage** as indicated below (the amount indicated should be added to the result of Step C.1:
  - Less than One Year – No Charge
  - One year prior acts – 5% of total annual premium
  - Two years prior acts – 10% of total annual premium
  - Three or more years prior acts – 15% of total annual premium

Note: The prior acts endorsement should only be attached to the first year of the occurrence policy. It does not get added to subsequent renewal policies.

### Section III – Independent Tour Guide

#### A. Definitions

- g. *Independent Standard Tour Guide, Director, and Escort* means any individual, acting alone, whether or not incorporated or the sole member of a Limited Liability Company, while acting as a tour guide, tour director or tour escort under contract with a third party tour operator, to fulfill the obligations and arrangements of the itinerary of that tour operator.

#### B. Basic annual premium:

The basic annual premium for a limit of liability of \$500,000/ \$500,000 and a deductible of \$500 is \$450 per year.

The basic annual premium for a limit of liability of \$1,000,000/\$1,000,000 and a deductible of \$500 is \$595 per year.

## Section IV - Association Programs

### A. Definitions

1. **Association Program** refers to those accounts which are affiliated with one or more of the various consortia, co-operatives, networks, and/or franchises which sponsor or endorse this Travel Agents Professional Liability Program.
2. **Consortium** means a coalition or union of incorporated companies formed expressly for marketing and servicing purposes.
3. **Cooperative** means a business corporation acting as a joint-stock organization for establishing and maintaining a working relationship among its members.
4. **Franchise** is an arrangement whereby the franchisor grants vested rights to the use of its brand name with the purpose of attracting consumer recognition and expectations of consistent service.
5. **Network** means a working group of independently owned travel agencies deriving benefits of lowering operating costs and higher sales commissions.

### B. Requirements:

Although specific requirements apply for each affiliation, they must include one or more of the following:

- Years in Operation
- Financial Stability
- Professional Certifications
- Ethics Requirements
- Continuing Education
- Sponsorship by existing members
- Management's Experience
- Insurance Requirements
- Consumer Protection Plan
- Criteria for selecting preferred suppliers



### **C. Premium Credit**

1. The following services are typical of those provided by the associations defined above:
  - Access to preferred supplier
  - Product Education
  - Certification Programs
  - Marketing Support
  - Emergency Hot Lines
  - Newsletters
  - Regional/National Sales/Educational Meetings
  - Market power through group purchasing
  - Computer Services
  - Risk Management /Loss Control Seminars
  - Procedure Manuals
  - Educational seminars and consulting services regarding: liability issues, accounting, law, automation, marketing, operations, sales, employee relations, training, independent contractors, operation of tours to seniors, singles, students, adventure, corporate, negotiating with suppliers, customer service, destination updates and government relations.
2. Apply a credit to the final premium of 0% to 25% based on the services provided by the association and the insured's utilization of those services.

**Travel Agents and Tour Operators Liability  
Rate Manual  
District of Columbia Exceptions**

**The countrywide Schedule Rating Table in Section I – Travel Agents Program, B. Basic Annual Premium, 7. is replaced with the DC specific Rate Table below:**

Category	Max Credit	Max Debit
Financial Strength	25%	25%
Quality of Management	25%	25%
Risk Management Procedure	25%	25%
Training	25%	25%
Certification	25%	25%

The total state maximum is +/- 25%

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**The countrywide Schedule Rating Table in Section II – Tour Operators, B. Basic Annual Premium, 8. is replaced with the DC specific Rate Table below:**

Category	Max Credit	Max Debit
Financial Strength	25%	25%
Quality of Management	25%	25%
Risk Management Procedure	25%	25%
Training	25%	25%
Certification	25%	25%

The total state maximum is +/- 25%

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State:	District of Columbia	Filing Company:	Arch Insurance Company
TOI/Sub-TOI:	17.1 Other Liability-Occ Only/17.1019 Professional Errors and Omissions Liability		
Product Name:	Travel Agents and Tour Operators Professional Liability Program		
Project Name/Number:	/ARCH-19-183-R		

## Supporting Document Schedules

Bypassed - Item:	Consulting Authorization
Bypass Reason:	Not Applicable.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Certification (P&C)
Comments:	Please see attached file.
Attachment(s):	DC Actuarial Memorandum.pdf
Item Status:	
Status Date:	

Satisfied - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Comments:	Please see attached file.
Attachment(s):	DC 5 Year Exhibit.pdf
Item Status:	
Status Date:	

Satisfied - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Comments:	Please see attached file.
Attachment(s):	DC Expense Exhibit Template Occ.pdf
Item Status:	
Status Date:	

## Actuarial Memorandum

Arch Insurance Company is proposing to introduce a new proprietary rating plan for *Travel Agents and Tour Operators Liability* coverage on a countrywide basis. This is a new program, so there is no rate impact.

Since Arch Insurance is new in this market space, there is no internal loss experience available to support the development of rates. As such we have reviewed various competitors' filings for similar coverage and leveraged the expertise of underwriting and claims' personnel to construct the proposed rating plan, which is based on the rates from Zurich North America's countrywide *Travel Agents and Tour Operators Liability* program.

Since this is a new program, we will ensure a thorough documentation of each underwriting file. Our objective is to carefully monitor the pricing of these policies to ensure that our rates are not excessive, inadequate or unfairly discriminatory.

Washington DC	2014		2015		2016		2017		2018		All Years	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Direct Premiums Earned	1,500,051	100%	1,106,340	100%	1,338,736	100%	1,863,338	100%	2,127,341	100%	7,935,806	100%
Direct Losses Incurred	1,014,107	67.60%	277,631	25.09%	255,624	19.09%	522,521	28%	416,997	20%	2,486,880	31%
Direct Defense and Cost Containment Expense Incurred	68,370	5%	65,744	6%	44,297	3%	38,316	2%	45,642	2%	262,369	3%
Direct Loss & Loss Expenses Incurred (2&3)	1,082,477	72%	343,375	31%	299,921	22%	560,837	30%	462,639	22%	2,749,249	35%
Direct Premiums Written	1,451,013	100%	1,519,547	100%	924,145	100%	1,968,108	100%	2,504,271	100%	8,367,084	100%
Direct Commission & Brokerage Incurred	81,880	6%	234,915	15%	44,082	5%	326,225	17%	362,760	14%	1,049,862	13%
Direct Taxes, Licenses & Fees Incurred	104,447	7%	85,181	6%	21,772	2%	36,981	2%	35,415	1%	283,796	3%
Total Expenses Incurred	186,327	13%	320,096	21%	65,854	7%	363,206	18%	398,175	16%	1,333,658	16%
Countrywide	2014		2015		2016		2017		2018		All Years	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Direct Premiums Earned	191,897,000	100%	206,555,000	100%	236,610,000	100%	277,311,000	100%	283,184,000	100%	1,195,557,000	100%
Direct Losses Incurred	117,263,000	61%	123,436,000	60%	111,308,000	47%	146,431,000	53%	183,794,000	65%	682,232,000	57%
Direct Defense and Cost Containment Expense Incurred	19,454,000	10%	19,808,000	10%	13,607,000	6%	16,483,000	6%	14,882,000	5%	84,234,000	7%
Direct Loss & Loss Expenses Incurred (2&3)	136,717,000	71%	143,244,000	69%	124,915,000	53%	162,914,000	59%	198,676,000	70%	766,466,000	64%
Direct Premiums Written	203,837,000	100%	248,601,000	100%	267,182,000	100%	310,726,000	100%	293,632,000	100%	1,323,978,000	100%
Direct Commission & Brokerage Incurred	29,095,000	14%	33,411,000	13%	29,566,000	11%	37,931,000	12%	36,299,000	12%	166,302,000	13%
Direct Other Acquisition, Field Supervision & Collection Expenses Incurred	11,889,000	6%	14,412,000	6%	14,892,000	6%	17,587,000	6%	15,791,000	5%	74,571,000	6%
Direct General Expenses Incurred	9,326,000	5%	11,993,000	5%	12,757,000	5%	14,963,000	5%	13,986,000	5%	63,025,000	5%
Direct Taxes, Licenses & Fees Incurred	5,479,000	3%	7,202,000	3%	6,348,000	2%	7,359,000	2%	7,069,000	2%	33,457,000	3%
Total Expenses Incurred	55,789,000	27%	67,018,000	27%	63,563,000	24%	77,840,000	25%	73,145,000	25%	337,355,000	25%

NOTES % of Losses Incurred; Defense and Cost Containment Expense; Loss & Loss Expenses Incurred to Premiums Earned

% of Commission & Brokerage; Other Acquisition, Field Supervision & Collection Expenses; General Expenses; Taxes, Licenses & Fees; Total Expenses to Premiums Written

**Arch Insurance Company**  
**TRAVEL AGENTS AND TOUR OPERATORS LIABILITY PROGRAM**  
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**Expenses**  
**Permissible Loss & LAE Ratio**

(1)	Commission	31.50%
(2)	General Expenses	5.23%
(3)	Other Acquisition Costs	4.50%
(4)	Taxes, Licenses, and Fees	1.88%
(5)	Total Expenses	43.12%
(6)	Return on Premium	8.50%
(7)	Investment Income	5.80%
(8)	Profit Provision = (6) - (7)	2.70%
(9)	Permissible Loss Ratio = 1 - (5) - (8)	54.2%

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**Countrywide Expenses**  
*Amounts are in \$000's*

		<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Average</b>	<b>Selected</b>
(1)	Countrywide Direct Written Premium	267,182	310,726	293,632	290,513	
(2)	Countrywide Direct Earned Premium	236,610	277,311	283,184	265,702	
(3)	District of Columbia Written Premium	924	1,968	2,504	1,799	
(4)	Other Acquisition Costs	14,892	17,587	15,791	16,090	
(5)	(4) / (1) Other Acquisition Costs Ratio	5.6%	5.7%	5.4%	5.5%	4.5%
(6)	General Expenses	12,757	14,963	13,986	13,902	
(7)	(6) / (2) General Expenses Ratio	5.4%	5.4%	4.9%	5.2%	5.2%
(8)	Taxes, Licenses, and Fees	22	37	35	31	
(9)	(8) / (3) Taxes, Licenses, and Fees Ratio	2.4%	1.9%	1.4%	1.9%	1.9%
(10)	Commission	29,566	37,931	36,299	34,599	
(11)	(10) / (1) Commission Ratio	11.1%	12.2%	12.4%	11.9%	31.5%

Source: Arch Annual Statements IEE Pg. 6-7

Source: Arch Insurance Company - District of Columbia Statutory Pg. 14

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**Investment Income**

1) Expenses and Profit Provision:	Nominal Value (NV)	Discount Factor (DFe)	Present Value (PV)
a) Commissions and Brokerage	31.50%	0.998	31.44%
b) Other Acquisition Expenses	4.50%	0.988	4.45%
c) General Expenses	5.23%	0.988	5.17%
d) Taxes, Licenses and Fees	1.88%	0.997	1.88%
e) Total Expenses { (1a) + (1b) + (1c) + (1d) }	43.12%	0.995	42.90%
f) Target Pre-Tax Return on Premium (ROP)	8.50%	1.000	8.50%
2) Premium Discount Factor (DFp) { (1.0 + pre-tax ROI)-(Prem. Receipt Lag - 1.0) } *			0.998
3) Loss & ALAE Discount Factor (DFI) **			0.893
4) Discounted Permissible Loss Ratio (PLR) { [ (2) - PV(1e) - PV(1f) ] / (3) } **			54.20%
5) Expected Combined Ratio { (4) + NV(1e) }			97.30%
6) Pre-Income Tax Underwriting Profit Provision { 1.0 - (5) }			2.70%
7) Investment Income Ratio { (1f) - (6) }			5.80%

*see next page for notes regarding \* and \*\**



**Arch Insurance Company**  
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<i>Assumptions and Notes</i>				
* Timing Assumptions and Calculations:				
Other Acquisition Expense Lag	180	days	Other Acquisition Expense Discount Factor	0.988
General Expense Lag	180	days	General Expense Discount Factor	0.988
Premium Tax Lag	45	days	Prem Tax Discount Factor	0.997
Premium Receipt Lag:	30	days	Premium Discount Factor:	0.998
Duration	4.56		Loss Discount Factor:	0.893
pre-tax ROI = 2.40%				

Year	% Loss Paid	Discount Factor @ 2.4%	Discounted % Loss Paid
1	10.1%	0.988	10.0%
2	14.3%	0.965	13.8%
3	12.9%	0.942	12.2%
4	15.1%	0.920	13.9%
5	11.9%	0.899	10.7%
6	9.5%	0.878	8.3%
7	6.0%	0.857	5.1%
8	4.3%	0.837	3.6%
9	1.6%	0.817	1.3%
10	1.2%	0.798	1.0%
11	1.2%	0.780	1.0%
12	1.2%	0.761	0.9%
13	1.2%	0.743	0.9%
14	1.2%	0.726	0.9%
15	1.2%	0.709	0.9%
16	6.9%	0.692	4.8%
17	0.0%	0.676	0.0%
18	0.0%	0.660	0.0%
19	0.0%	0.645	0.0%
20	0.0%	0.630	0.0%
21	0.0%	0.615	0.0%
22	0.0%	0.601	0.0%
23	0.0%	0.586	0.0%
24	0.0%	0.573	0.0%
25	0.0%	0.559	0.0%
Total	100%	0.893	89.3%

Losses are assumed paid in the middle of the indicated year. All amounts are discounted to the end of the incurred year (thus the positive discount factors for amounts paid or received before the end of the year). The average loss payment lag is computed so that paying all losses at that point in time has the same discounted value as for the indicated loss payout pattern.

**Average Payment Lag = 4.98 Years**

\*\*\*\* The formula for the Permissible Loss Ratio (PLR) was derived as follows:

$$\text{pre-tax ROP} = \{ \text{Premium} \times \text{DFp} - \text{Loss} \times \text{DFl} - \text{Expense} \times \text{DFe} \} / \text{Premium}$$

$$\text{PLR} = \text{Loss/Premium} = \{ \text{DFp} - (\text{Expense/Premium}) \times \text{DFe} - \text{pre-tax ROP} \} / \text{DFl}$$

{ DF = discount factor }

**Arch Insurance Company**  
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**Investment Income Calculations**

<b>Exact Matching</b>							
<b>Age</b>	<b>Paid LDF Age-Ult</b>	<b>% Paid</b>	<b>Incremental % Paid</b>	<b>Interest Rates</b>	<b>Investment Income</b>	<b>Duration Matching</b>	
1.00	9.928	10.1%	0.1007	2.5%	1.2%	5%	10%
2.00	4.098	24.4%	0.1433	2.5%	3.8%	21%	14%
3.00	2.678	37.3%	0.1294	2.4%	6.2%	30%	12%
4.00	1.908	52.4%	0.1508	2.4%	8.7%	49%	14%
5.00	1.554	64.3%	0.1193	2.4%	11.3%	48%	11%
6.00	1.355	73.8%	0.0945	2.4%	14.2%	46%	8%
7.00	1.254	79.8%	0.0598	2.5%	17.2%	33%	5%
8.00	1.189	84.1%	0.0432	2.5%	20.4%	27%	4%
9.00	1.167	85.7%	0.0159	2.5%	23.8%	11%	1%
10.00	1.150	86.9%	0.0123	2.6%	27.4%	9%	1%
11.00	1.134	88.2%	0.0123	2.6%	31.1%	10%	1%
12.00	1.119	89.4%	0.0123	2.6%	34.9%	11%	1%
13.00	1.103	90.6%	0.0123	2.7%	38.8%	11%	1%
14.00	1.089	91.9%	0.0123	2.7%	42.9%	12%	1%
15.00	1.074	93.1%	0.0123	2.7%	47.2%	12%	1%
16.00	1.000	100.0%	0.0690	2.7%	51.7%	71%	5%
17.00	1.000	100.0%	0.0000	2.7%	56.4%	0%	0%
18.00	1.000	100.0%	0.0000	2.8%	61.4%	0%	0%
19.00	1.000	100.0%	0.0000	2.8%	66.5%	0%	0%
20.00	1.000	100.0%	0.0000	2.8%	71.9%	0%	0%
21.00	1.000	100.0%	0.0000	2.8%	77.2%	0%	0%
22.00	1.000	100.0%	0.0000	2.8%	82.2%	0%	0%
23.00	1.000	100.0%	0.0000	2.8%	87.4%	0%	0%
24.00	1.000	100.0%	0.0000	2.8%	92.7%	0%	0%
25.00	1.000	100.0%	0.0000	2.8%	98.1%	0%	0%
<b>Total</b>			100.0%			4.045	0.887

<b>Duration</b>	<b>4.56</b>
<b>Duration Matched Interest Rate</b>	<b>2.40%</b>

**Notes:**

Losses are assumed paid in the middle of the indicated year. All amounts are discounted to the end of the incurred year (thus the positive discount factors for amounts paid or received before the end of the year).

<u>Federal Reserve Bank Website, Treasury</u>	<u>18-Mar-19</u>
Constant Maturity (90 day)	2.44
Constant Maturity (6 months)	2.51
Constant Maturity (1 year)	2.52
Constant Maturity (2 years)	2.45
Constant Maturity (3 years)	2.41
Constant Maturity (5 years)	2.42
Constant Maturity (10 years)	2.60
Constant Maturity (20 years)	2.83